

## ArtsQuest South Bethlehem Cultural Center

### Unreasonable Economic Hardship – HCC

#### Reference:

ARTICLE 1714                                      Historic Conservation District  
South Bethlehem and Mount Airy

SECTION 1714.12                                Unreasonable Economic Hardship

**Date:** June 20, 2022

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## Introduction

The existing Banana Factory Arts & Education Center, composed of a group of buildings located on Northampton Street between 2nd and 3rd Streets in South Bethlehem, is no longer adequate to serve the arts and cultural needs of Bethlehem's changing and growing communities and therefore must be replaced. ArtsQuest has completed several feasibility studies that closely investigated options for the modernization of the Banana Factory and has determined that the most feasible option to ensure the long-term sustainability of the Center for the benefit of the community is the replacement of the buildings with a new facility. As a non-profit, ArtsQuest must design an efficient and cost-effective building that furthers its mission of increasing access to the arts for all and is the most prudent use of the funds the organization is able to raise in the community. A new facility reduces the cost of the project significantly, can reflect elements of the history of the SouthSide and serve as a visible and creative western gateway to the SouthSide Arts District. The general design, arrangement, texture, material and color of the proposed Cultural Center is similar to features of existing buildings and structures in the district. It is the organization's responsibility to design a new facility that maximizes the funds it can raise from the public and private sector.

This document contains the pertinent information around the existing facility and the reasons for replacement, the need for a Cultural Center in South Bethlehem, the options that have been explored to date (including the project design previously issued a Certificate of Appropriateness), and the financial hardship related to preservation of select buildings in the existing Banana Factory complex.

ArtsQuest's goal is to substantially improve the facilities at the Banana Factory site with a goal of keeping project costs attainable at \$20,000,000 - \$22,000,000. The project must retain the hot glass, ceramic and jewelry studios and add digital, print and video studios and observations areas. The project must also add purpose-designed and flexible gallery spaces, classrooms, and meetings spaces, a 100-seat comedy theater, a Makerspace, a catering kitchen, and 2 dance studios. Most importantly it must increase Artist Studios from 30 to 36 all with natural light and functional space for the practice of varying artistic styles. The project is programmed to include an Arts Plaza, outdoor classroom space and space for outdoor urban art display. Finally, the center creates room for Summer Camps and the Pre-K Arts Education programs. The site will evolve from simply a Visual Arts Center to a Community Cultural Center able to meet the needs of a changing and growing community and will anchor the Bethlehem SouthSide Arts District.

If a Certificate of Appropriateness is not approved by the Commission ArtsQuest will suffer an unreasonable economic hardship as it will be unable to obtain reasonable beneficial use of the property.

## Unreasonable Economic Hardship

The previous project design, as granted Certificate of Appropriateness by Bethlehem City Council upon the recommendation of the HCC, proposed to demolish 4 of the 6 existing buildings in the Banana Factory complex. It is now apparent that maintaining any of the existing structures would constitute an unreasonable economic hardship for ArtsQuest. The following information is sufficient evidence under Article 1714.12 to prove that it would be

unreasonably difficult for ArtsQuest to obtain a beneficial use from the current property and the project in the previously issued Certificate of Appropriateness.

The property and buildings are currently owned and operated by ArtsQuest, a nonprofit corporation.

The property and buildings were acquired by ArtsQuest around 1996.

The previous ownership of the buildings is unknown. Tax records do not show previous owner, but the deed indicates Theodoredis, so it is suspected that all of the buildings were purchased from them.

ArtsQuest purchased the property and buildings for \$250,000.00.

ArtsQuest currently has 100% equity in the property.

A current appraisal for the property is not available, although the tax records indicate the following appraised values:

Appraised Land:	\$573,400.00
Appraised Building(s):	\$1,459,000.00
Appraised Total:	\$2,032,400.00

Northampton County		Property Report Card		Assessment Office		
<b>Profile</b>						
<b>Parcel:</b>	P6SE1A 2 2 0204E	<b>Land Use Code:</b>	555			
<b>Address:</b>	25 W 3RD ST	<b>LUC Description:</b>	Club, Fraternal Organization			
<b>Owner Details:</b>	BETHLEHEM MUSIKFEST ASSOCIATION	<b>Municipality:</b>	BETHLEHEM CITY			
<b>Mailing Address:</b>	25 W 3RD ST	<b>NBHD:</b>	C531			
	BETHLEHEM PA 18015	<b>School District:</b>	BETHLEHEM SCHOOL DIST			
		<b>Zoning:</b>	LI			
		<b>Land Acres:</b>	1.5307			
		<b>Street/Road:</b>	PAVED			
		<b>Topography:</b>	LEVEL			
		<b>Utilities</b>	ALL PUBLIC			
<b>Value Summary</b>						
<b>Appraised Land:</b>	573,400	<b>Assessed Land</b>	286,700			
<b>Appraised Building:</b>	1,459,000	<b>Assessed Building</b>	1,345,000			
<b>Appraised Total:</b>	2,032,400	<b>Assessed Total</b>	1,631,700			
<b>Primary Residential Card</b>						
<b>Card:</b>	1	<b>Basement:</b>		<b>Fireplace Prefab:</b>		
<b>Stories:</b>		<b>Square Feet:</b>		<b>Fireplace Opening:</b>		
<b>Style:</b>		<b>HT/AC:</b>		<b>Fireplace Stacks:</b>		
<b>Year Built:</b>		<b>Fuel:</b>		<b>Basement Garage:</b>		
<b>Year Remod.</b>		<b>System:</b>		<b>Grade:</b>		
<b>Total Rooms:</b>		<b>Attic:</b>		<b>Cond (CDU):</b>		
<b>Bedrooms:</b>		<b>Rec Room Area:</b>		<b>Percent Complete:</b>		
<b>Full Bath:</b>		<b>Finished Basement Area:</b>		<b>Family Room:</b>		
<b>Half Bath:</b>				<b>Ext. Material:</b>		
<b>Commercial Card</b>						
<b>Year Built</b>		<b>Improvement Name:</b>				
<b>Units</b>		<b>Gross Floor Area:</b>				
<b>Grade:</b>						
<b>Other Items</b>						
<b>Code Description</b>	<b>Yr Blt</b>	<b>Sq Ft</b>				
PA1 PAVING	2002	26000				
<b>Sales History</b>						
<b>Date</b>	<b>Book-Page</b>	<b>Grantor</b>	<b>Sale</b>	<b>Desc</b>	<b>Parcels</b>	<b>Amount</b>
10/1/1996	19961--111906		2	NOT OPEN MARKET		1
5/1/1996	--		2	NOT OPEN MARKET		216,367
1/1/1988	--		0	VALID		784,654
<b>Printed on 6/14/2022 10:02:17 AM</b>						
<b>Page 1 of 2</b>						

ArtsQuest has created a Pro-Forma for the proposed new facility. The operating margin in the first full year of operation is less than 10%. Keeping the two contributory structures of the six buildings that make up the Banana Factory inflates the cost of the project to the point where the project cannot sustain itself. A new structure reduces the cost of the project and creates the most beneficial use of programming space which is the best community use. The current Banana Factory has over \$1.4 million in deferred maintenance as well as annual expenses that reduces ArtsQuest's ability to provide free and reduced cost space to artists and the community.

ArtsQuest offers below market rent for artists' studios and nonprofit partners. There is a waitlist for Resident Artist Studios and for teaching artists for classes and workshops. There is also a need of more multi-purpose spaces for community education and outreach programming, and high-quality dedicated classroom spaces with state-of-the-art equipment

and technology for creation are in-demand. Programming at the current Banana Factory is growing and at capacity with community, visual arts, comedy, improvisational comedy and hospitality programs often competing for space. In addition, ArtsQuest does not turn away anyone who can't afford classes or camps. There has been a 63% increase in tuition revenue since 2012, and a 17% growth in visual arts tuition class revenue in the past year alone. Building a new structure at the current location is the most efficient way for a nonprofit to continue serving Bethlehem's growing and changing community.

ArtsQuest has determined that this is the preferred location for a new cultural center. The current location is close to Bethlehem Area School District facilities where ArtsQuest serves at-risk students in ArtSmart, our after-school arts education program. The site is also serviced by public transportation which is critical in serving socio-economically disadvantaged communities. Not only is the site the western gateway to the SouthSide Arts District, but the organization currently owns the land. Having to purchase land elsewhere in Bethlehem would be cost prohibitive to the project.

ArtsQuest has evaluated the previous COA approved project and determined that it is no longer viable due to increases in construction costs since its approval. Please refer to Exhibit 6, noting the following significant cost increases for the previously approved design "APPROVED BY HCC – 2022 Escalation" over the "APPROVED BY HCC – 2020 Scope."

Line 7 – Building Demolition	\$565,245.00
Line 8 – Sitework	\$237,510.00
Line 13 – Building Concrete	\$40,000.00
Line 14 – Structural Steel	\$350,000.00
Line 15 – Miscellaneous metal	\$35,000.00
Line 16 – Rough Carpentry	\$160,000.00
Line 19 – Roofing	\$65,000.00
Line 22 – Aluminum, Glass, & Glazing	\$80,000.00
Line 23 – Exterior Framing & Sheathing	\$200,000.00
Line 26 – Exterior Wall Finish Systems	\$225,000.00
Line 45 – Elevators	\$55,000.00
Line 46 – Sprinklers	\$70,000.00
Line 47 – Plumbing	\$95,000.00
Line 48 – HVAC	\$175,000.00
Line 49 – Electrical	\$500,000.00
Line 50 – General Conditions	\$461,000.00
<u>Line 54 – Project Contingency</u>	<u>\$445,000.00</u>
TOTAL COST INCREASE:	\$4,310,160.00

ArtsQuest has elected to redesign the project to control costs. Please refer to Exhibit 6, noting the following significant cost savings for the “CURRENT REDESIGN” compared to the previously approved design “APPROVED BY HCC – 2022 Escalation.”

Line 7 – Building Demolition	- \$400,000.00
Line 8 – Sitework	- \$925,066.00
Line 13 – Building Concrete	- \$243,163.00
Line 14 – Structural Steel	- \$382,777.00
Line 15 – Miscellaneous metal	- \$411,794.00
Line 16 – Rough Carpentry	- \$294,435.00
Line 19 – Roofing	- \$139,539.00
Line 22 – Aluminum, Glass, & Glazing	- \$287,384.00
Line 23 – Exterior Framing & Sheathing	- \$1,200,000.00
Line 26 – Exterior Wall Finish Systems	- \$350,000.00
Line 45 – Elevators	- \$80,664.00
Line 46 – Sprinklers	- \$134,626.00
Line 47 – Plumbing	- \$59,725.00
Line 48 – HVAC	- \$450,000.00
Line 49 – Electrical	- \$300,000.00
Line 50 – General Conditions	- \$461,000.00
<u>Line 54 – Project Contingency</u>	<u>- \$625,000.00</u>
TOTAL COST SAVINGS:	\$7,237,241.00

## History of Project – Options explored to date

ArtsQuest has explored many options to renovate and or replace the facility over the past 7 years, including the following. Each of the design studies below are attached to this document as exhibits, along with opinions of probable costs that were developed at the time of the design studies. Please note that the exhibits are presented in chronological order, while the list below starts with the previously approved COA design and then covers the current proposal followed by the previous design studies.

- 1. Partial demolition with renovation of 2 existing buildings, and new building addition**  
Design performed by MKSD Architects in 2018, granted a COA by the HCC and Bethlehem City Council in 2019  
[Exhibit 4A]

The previous design, as granted Certificate of Appropriateness by the HCC and Bethlehem City Council proposed to demolish 4 of the 6 existing buildings in the Banana Factory complex. A new building wing would be constructed in the existing parking lot, and building additions were proposed to connect the new building to the remaining two existing buildings.

The opinion of probable cost for this study, as estimated by Boyle Construction, was \$20,500,000 in 2018. [Exhibit 4B]

The dollar had an average inflation rate of 3.57% per year between 2017 and today, producing a cumulative price increase of 15.08%. This means that today's prices are 1.15 times higher than average prices since 2018, according to the Bureau of Labor Statistics consumer price index. (as indicated on the CPI inflation calculator at: <https://www.in2013dollars.com/us/inflation/2018> )

Today, the cost for this option is over \$29,000,000 as estimated by Boyle Construction [Exhibit 6].

## **2. Full demolition and replacement of the existing facility** Design performed by MKSD Architects, 2022 (current) [Exhibit 5A]

To control rising project costs, ArtsQuest and MKSD set out to redesign the project. Boyle construction performed a construction cost model exercise and the team identified that the best value approach to constructing a new facility was to redesign the project with the following parameters:

1. A shorter construction duration would reduce costs as the complex phasing of the previously approved scheme was costly.
2. A complete demolition of the existing complex would reduce demolition costs as selective demolition is costly.
3. A structurally simple building would be the most cost-effective solution.
4. More cost-effective exterior materials should be explored.

The opinion of probable cost for the currently proposed design, as estimated by Boyle Construction is currently \$20,000,000. [Exhibit 5B]

## **3. Renovation of existing facility** Feasibility Study performed by Spillman Farmer Architects in 2016 [Exhibit 1A]

Renovations proposed to the existing facility would address the lack of aesthetic unity between the 6 existing buildings of the Banana Factory Complex, as well as the lack of a clearly identifiable building entrance. The project would also address confusing existing internal circulation patterns, lack of natural light, lack of views to the exterior, and deficits in community and collaboration spaces. Aging and defunct Mechanical (HVAC), Electrical, and Plumbing systems would also be replaced.

The opinion of probable cost for this study, as estimated by Boyle Construction, was \$20,636,000 in 2016. [Exhibit 1B]

The dollar had an average inflation rate of 3.15% per year between 2016 and today, producing a cumulative price increase of 20.46%. This means that today's prices are 1.20 times higher than average prices since 2016, according to the Bureau of Labor Statistics consumer price index. (as indicated on the CPI inflation calculator at: <https://www.in2013dollars.com/us/inflation/2016> )

Today, the cost for this option is conservatively adjusted for inflation to \$24,763,200, which does not factor in the construction cost increases resulting from the pandemic and subsequent construction market turmoil.

#### **4. Renovation of existing facility with additions + Riverport**

Feasibility Study performed by Spillman Farmer Architects in late 2016, with potential inclusion of space in the adjacent Riverport facility [Exhibit 2A]

Renovations proposed in this study built upon the work of the initial study but explored ArtsQuest's rental of space in the adjacent Riverport facility. This addressed the need for additional space so that a large-scale building addition wouldn't be needed, but discussions of leasing the space in Riverport fell through and funding was not immediately available at the time.

The opinion of probable cost for this study, as estimated by Boyle Construction, was \$12,670,000 in 2016. [Exhibit 1B]

The dollar had an average inflation rate of 3.15% per year between 2016 and today, producing a cumulative price increase of 20.46%. This means that today's prices are 1.20 times higher than average prices since 2016, according to the Bureau of Labor Statistics consumer price index. (as indicated on the CPI inflation calculator at: <https://www.in2013dollars.com/us/inflation/2016> )

Today, the cost for this option is conservatively adjusted for inflation to \$15,204,000, which does not factor in the construction cost increases resulting from the pandemic and subsequent construction market turmoil.

#### **5. Full demolition and replacement of the existing facility**

Design Study performed by Sitio Architecture + Urbanism in 2017 [Exhibit 3A]

This study proposed the complete demolition of all 6 building and reconstruction of an entirely new facility on the Banana Factory site. While it addressed the functional program well, the siting of the building toward the rear of the site was not desirable. Furthermore, the complexity of the proposed solution is not favorable to the project budget.

The opinion of probable cost for this study, as estimated by Boyle Construction, was \$22,060,000 in 2017. [Exhibit 3B]



The dollar had an average inflation rate of 3.36% per year between 2017 and today, producing a cumulative price increase of 17.95%. This means that today's prices are 1.18 times higher than average prices since 2017, according to the Bureau of Labor Statistics consumer price index. (as indicated on the CPI inflation calculator at: <https://www.in2013dollars.com/us/inflation/2017> )

Today, the cost for this option is conservatively adjusted for inflation to \$26,030,800, which does not factor in the construction cost increases resulting from the pandemic and subsequent construction market turmoil.

## Executive Summary

ArtsQuest's mission is to provide access to exceptional artistic, cultural, and educational experiences using arts and culture as key elements of economic development and tourism for our urban communities. ArtsQuest supports this mission via the presentation of performing and visual arts, film, arts education classes and outreach, youth programming and cultural events. Through festivals such as its flagship event, Musikfest; the Banana Factory Arts Center; and the ArtsQuest Center and SteelStacks arts and cultural campus, ArtsQuest's programming reaches more than 1.9 million people annually. The organization's programs and events, approximately 50 percent of which are free to attend, have a combined economic impact of more than \$136 million annually in the region.

In order to continue our 39-year history of building community through the arts, it is imperative that we build a new cultural center at a cost that can sustain itself in the long term. A new center will serve the growing needs of Bethlehem's diverse communities while also further stabilizing the SouthSide Arts District. All of which will help to preserve and enhance the environmental quality of the area, foster economic development and tourism, improve property values and further enhance civic pride.

## Supporting Exhibits

- 1A: Banana Factory Master Planning Study, Spillman Farmer – 2016
- 1B : Banana Factory Master Planning Study Preliminary Budget Opinion, Boyle Construction – 2016
- 2A: Banana Factory and Riverport Study, Spillman Farmer – 2016
- 2B: Banana Factory and Riverport Study Preliminary Budget Opinion, Boyle Construction – 2016
- 3A: Banana Factory Reimage, Sitio architecture + urbanism – 2017
- 3B: Banana Factory Reimage Preliminary Budget Opinion, Boyle Construction – 2017
- 4A: ArtsQuest South Bethlehem Cultural Arts Center, MKSD architects – 2019
- 4B: ArtsQuest South Bethlehem Cultural Arts Center Preliminary Budget Opinion, Boyle Construction – 2019
- 5A: ArtsQuest Southside Cultural Center, MKSD architects – 2022 (current proposal)
- 6: Opinion of cost comparison spreadsheet [Exhibit 6]

